

## SB 238 – Create DROP in HPORS Section by Section Analysis

**Overview:** The bill creates a Deferred Retirement Option Plan (“DROP”) within the Highway Patrol Officer Retirement System. A DROP plan is essentially a working retiree plan. When eligible to retire, a member may “retire”, stop accruing service credit, and begin receiving a benefit under the retirement system while continuing employment. While continuing employment, the member will be paid a salary and the member’s retirement benefit will be paid into their DROP account.

Section	What it does
Section 1	Provides the short title – the Deferred Retirement Option Plan (“DROP”)
Section 2	New section of law providing definitions applicable to the Highway Patrol Retirement System (HPORS) DROP. The definitions are modeled after those in the Municipal Police Officer Retirement System DROP.
Section 3	Directs the Public Employee Retirement Board (PERB) to create a DROP program. Provides the DROP is to be administered in accordance with IRS rules. Provides PERB with rulemaking authority to implement the program.
Section 4	Provides eligibility for participation in DROP. Provides that the choice to participate in DROP is irrevocable and may be for any period of time from one month to 60 months while allowing for temporary interruptions for military service or absences from work. Makes clear that while a person is participating in DROP, s/he does not accrue additional membership service or service credit.
Section 5	Requires State and Employer contributions to continue to be made on behalf of the employee into the HPORS system. Provides that on a monthly basis, Employee contributions are deposited into their DROP account, as well as the monthly benefit the participant would have received if the participant had retired. Clarifies that the monthly benefit deposited into the DROP account does not include postretirement benefit adjustments (the GABA). Provides that interest will be credited to each DROP account at the fiscal yearend at the actuarially assumed rate of return (currently 7.75%).
Section 6	Provides that if the DROP participant dies prior to the end of the DROP period, the surviving spouse or dependent child receives the DROP benefit and the participant’s service retirement benefit. Provides that the designated beneficiary receives the DROP benefit, and the participant’s accumulated contributions minus any benefits paid from the participant’s account, including the DROP accruals.
Section 7	An employee may continue to work after the DROP period ends. If the employee returns to work: the state, employer and employee contributions are required to be paid into HPORS; and the employee is immediately vested in benefits to be accrued. When the employee finally retires, s/he will receive (1) the monthly benefit earned prior to entering DROP; (2) the DROP benefit; and (3) a second benefit based on the member’s service credit earned after the end of their DROP period. This section also clarifies that the GABA will begin to be paid on the monthly retirement benefit at this time.
Section 8	Provides that at the end of the DROP period, the participant may (1) receive the DROP benefit as a lump sum; (2) roll the DROP benefit into another eligible retirement plan; or (3) any other distribution authorized by PERB. Depending on how the benefit is distributed, the participant must pay all applicable taxes.
Section 9	Provides that PERB seek a determination from the IRS whether the DROP is a qualified plan under IRC s. 401(a), and if the DROP is not a qualified plan, this bill is void.
Section 10	Provides that this bill will be codified in the statutes governing HPORS.